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 CALIFORNIA
ASSOCIATION
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3.75% financing or less: Is it a good time to buy newly built homes?

Source: *Yahoo! Finance*

As Americans struggle with high home prices and mortgage rates, an affordable housing option may be hiding in plain sight. In some areas of the country, new home builders have ample inventory, are motivated to negotiated price, and might offer lower mortgage rates. In the South and West, newly built homes have more incentives and better pricing.

Builders are more motivated sellers than owners of existing homes and are pricing aggressively to move their relatively limited inventory, according to a report by Realtor.com. In November, the latest data available, 60 percent of new home communities offered incentives on homes to be built, while 78 percent offered incentives on quick move-in homes. Mortgage rate deals, including rate buy-downs, are the most common builder incentive. One builder in Northern California advertises a 3.75 percent rate for the first seven years, however when considering fees, it has a 5.224 percent annual percentage rate. That's still a good rate, though, compared to market-rate mortgages that are above 6.20 percent.

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L.A. City Council approves \$90M subsidy to rebuild Pacific Palisades

Source: *My News LA*

The Los Angeles City Council unanimously approved a \$90 million subsidy program to cover fees associated with rebuilding properties in Pacific Palisades that were damaged or destroyed in the January 2025 fire.

Rebuilding fees for all structures — single-family dwellings, duplexes, ADUs, multi-family housing, townhomes, condos and commercial buildings — would be covered within 110 percent of the original footprint and for the same use. Property owners would be liable for fees in excess of the 110 percent rebuild/repair scale. Council members instructed City Administrative Officer Matt Szabo and his office to recommend a funding strategy to them and Mayor Karen Bass, which should be included in the budget for fiscal year 2026 and 2027 with the goal of paying the cost back to \$30 million per year over the course of three years.

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SacBee publishes Homeownership Matters opinion piece

Source: *C.A.R.*

California’s housing crisis commands attention from every level of government – from local officials and state leaders to gubernatorial candidates. Last weekend, the Sacramento Bee published an opinion piece by CALIFORNIA ASSOCIATION OF REALTORS® President Tamara Suminski. The piece, which is part of C.A.R.’s larger “Homeownership Matters” public affairs campaign, outlines strategies California lawmakers can adopt to increase homeownership opportunities in the state. These include expanding existing statutes to protect all housing development from delays caused by frivolous lawsuits, incentives that

encourage institutional investors to transition single-family homes back to owner-occupied housing, and continued funding of programs like the California Dream for All shared-equity program that provides down payment assistance and other incentives to first-time homebuyers.

The opinion piece was displayed last weekend on the websites of the Sacramento Bee, Fresno Bee, SLO Tribune, Modesto Bee and Merced Sun-Star and also appeared in last Friday's print edition of the Sacramento Bee.

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A surprising share of homeowners have high mortgage rates

Source: *CNBC*

The share of U.S. homeowners with high rates on their mortgages has jumped sharply in just the last few years. That's having a marked impact on the refinance market and a somewhat more muted impact on home sales.

In 2022, after mortgage interest rates hit more than a dozen record lows, sparking a refinance bonanza, barely 10 percent of homeowners had 30-year fixed mortgages with rates above 5 percent. Just four years later, that share has jumped to over 30 percent, according to ICE Mortgage Technology. About 20 percent of borrowers have mortgages with a rate over 6 percent. However, slightly more than half of U.S. mortgage holders (51.5 percent) still have rates under 4 percent. Home sales have been less than robust over the last few years, with the National Association of REALTORS® reporting a historically low 4.06 million sales last year,

basically unchanged from 2024. This, after hitting a 15-year high of 6.12 million home sales in 2022. More recent sales, combined with some cash-out refinancing, pushed the share of higher-interest-rate borrowers up.

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Buyers backed out of deals at a record rate last month

Source: *Real Estate News*

Homebuyers were canceling deals at a record rate in December, a sign that they feel more comfortable being choosy in a market that continues to favor buyers. More than 40,000 home purchase agreements in the U.S. were canceled in December, according to Redfin, equating to about 16.5 percent of total contracts that month. That's up from 14.9 percent a year prior, and it's the highest share of December cancellations since Redfin began tracking the data in 2017.

The rise in cancellations coincided with a shift in the housing market, according to Redfin. High housing costs and rising inventory have made homebuyers more selective. Markets with more listings tended to have higher cancellation rates. Sellers were also pulling their listings at an elevated rate last fall, but there are signs that they're easing back into the market.

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Housing affordability affects homeowners too: more falling behind on mortgages

Source: *CNBC*

Housing affordability challenges are weighing on not only would-be buyers, but also on a growing share of existing homeowners, new data suggests. Late-stage mortgage delinquencies (those with payments at least 90 days past due) rose 18.6 percent in December from a year earlier, according to research from credit scoring company VantageScore.

While the share of mortgages at that stage of nonpayment remains small at about 0.2 percent – up from just under 0.17 percent in December 2024 – the growth is occurring at a faster pace than for delinquencies involving other types of consumer credit, including auto loans, credit cards and personal loans. Compared with nonpayment levels seen during the financial crisis in 2008 to 2010, “this is a considerably lower delinquency rate,” said VantageScore’s Chief Strategy Officer and Chief Economist Rikard Bandebo. “But it’s still a concerning sign that [delinquencies] are increasing.”

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Rough winter weather tanked mortgage demand nationally

Source: *CNBC*

The harsh winter storm that recently hit much of the Central, Eastern and Southern portions of the country took its toll on the mortgage market in the week that followed. Potential buyers stayed home, and mortgage rates

didn't move enough to spark refinance demand. Total mortgage application volume dropped 8.9 percent last week compared with the previous week, according to the Mortgage Bankers Association's seasonally adjusted index. Last week's results included an adjustment for the Martin Luther King Jr. holiday.

The average contract interest rate on the 30-year fixed-rate mortgage with conforming loan balances (\$806,500 or less) increased to 6.21 percent from 6.24 percent, with points rising to 0.56 from 0.55, including the origination fee, for loans with a 20 percent down payment. Despite the drop, applications to refinance a home loan fell 5 percent for the week, but they were still 117 percent higher than the same week one year ago, when rates were over 7 percent. The refinance share of mortgage activity increased to 57.1 percent of total applications from 56.2 percent the previous week. Applications for a mortgage to purchase a home fell 14 percent for the week and were just 4 percent higher year-over-year. The winter storm likely had an impact as much of the country was snowed in, hampering homebuying activity, according to MBA Chief Economist Joel Kan.

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